

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 12, 2011

MINUTES OF SPECIAL MEETING

Lone Star Groundwater Conservation District (“District”) held a “Special Meeting,” open to the public, at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on July 12, 2011.

President Tramm called the meeting to order at 9:08 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Baker, Director Bleyl, and Director Stinson thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, Attorney; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

After a proper and legally sufficient announcement to the public by President Tramm, the Board of Directors went into a Closed Executive Session at 9:09 a.m. pursuant to Texas Government Code, Sections 551.071, to consult with the District's attorney regarding pending or contemplated litigation, settlement offers, or on matters in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act, Chapter 551, Government Code.

Director Baker and Director Stinson arrive at 9:10 a.m. and 9:24 a.m. respectively.

Following Executive Session, the Board reconvened in Open Session and declared it open to the public at 9:42 a.m.

No action was taken on matters discussed in Executive Session and the meeting was adjourned at 9:43 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF AUGUST, 2011.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 12, 2011

MINUTES OF PUBLIC HEARING ON PERMIT APPLICATIONS

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on July 12, 2011.

President Tramm called to order the Public Hearing on Permit Applications at 10:04 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Bleyl and Director Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, Attorney; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

Item #1, **Max Neely** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Based on technical review of information supplied by application, it is the General Manager’s recommendation to approve a reduced amount of 1,000,000 gallons for 2011 and annually thereafter. A motion was made by Director Baker, and seconded by Director Wood to approve the above application in accordance with the recommendation of the General Manager.

Item #2, **Montgomery County Pct. 4 (Sallas Sports Complex)** – Applicant is requesting an Operating Permit for an existing well that staff found in non-compliance. Based on technical review of information supplied by application, it is the General Manager’s recommendation to

approve a reduced amount of 4,000,000 gallons for 2011 and annually thereafter. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit application in accordance with the recommendation of the General Manager.

Item #3, **Carey Jordan (Town Hall Texas)**, Item #5, **Forest Lane Food Mart**, Item #9, **Riverbrook POA**, Item #10, **Is Zen Center Inc.**, Item #11, **Southern Star Concrete**, and Item #12, **Larry Kruzic** – Applicants are requesting an amendment to increase allocation under their existing Operating Permits. Based on technical review of information supplied by application, it is the General Manager's recommendation to approve that which is being requested. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit amendments in accordance with the recommendation of the General Manager.

Item #4, **Piney Woods Boat & RV Storage** – Applicant is requesting drilling authorization for a new well and 37,500 gallons for 2011 and 75,000 gallons annually thereafter. Applicant will provide water to a boat and RV storage facility. Based on technical review of information supplied by application, it is the General Manager's recommendation to approve that which is being requested. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit application in accordance with the recommendation of the General Manager.

Item #6, **Conroe ISD (Creighton)**, and Item #7, **Conroe ISD (Moorehead/Caney Creek)** – Applicants are requesting new Operating Permits to be associated with existing Historic Use Permits. Based on technical review of the information supplied by application, it is the General Manager's recommendation to approve that which is being requested. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit applications in accordance with the recommendations of the General Manager.

Item #8, **Riverbrook POA** – Applicant is requesting drilling authorization for a new well and 1,940,000 gallons for 2011 and 3,000,000 gallons annually thereafter. Applicant will provide water to a 2.685 acre recreational lake. Based on technical review of the information supplied by application, it is the General Manager's recommendation to approve a reduced amount of 1,312,365 gallons for 2011 and annually thereafter. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit application in accordance with the recommendations of the General Manager.

Item #13, **Crystal Springs Water (The Oaks)** – Applicant is requesting drilling authorization only for a new well to be in aggregate with their current system. Based on technical review of the information supplied by application, it is the General Manager's recommendation to approve that which is being requested. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendations of the General Manager.

Item #14, **Jack McClanahan (Walker Road)** – Applicant is requesting drilling authorization for a new well and 5,800,000 gallons for 2011 and 9,400,000 gallons annually thereafter. Applicant will provide water for dust control and for road construction. Based on technical review of the information supplied by application, it is the General Manager's recommendation to approve that which is being requested. A motion was made by Director Baker, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendations of the General Manager.

Item #15, **KL Ranch – Ag Use** – Applicant is requesting drilling authorization for a new well and 10,000,000 gallons for 2011 and 15,000,000 gallons annually thereafter. Applicant will provide water to irrigate approximately 20 acres of pine seedlings. Based on technical review of the information supplied by application, it is the General Manager’s recommendation to approve a reduced amount of 5,250,000 gallons for 2011 and 6,000,000 gallons annually thereafter.

A motion was made by Director Baker, and seconded by Director Wood to approve the above permit amendment in accordance with the recommendations of the General Manager. Motion passed.

Item #16, **Stanley Lake MUD (AWS Production Well)** – Applicant is requesting drilling authorization and production authorization for an Alternative Water Source well in the Catahoula formation. Applicant is requesting production authorization for 218,102,000 gallons beginning in 2012 and annually thereafter. Based on technical review of information supplied by application, it is the General Manager’s recommendation to authorize drilling only at this time. Upon receipt of additional information requested from the applicant, a further technical review will be conducted with a recommendation to the Board to follow. A motion was made by Director Stinson, and seconded by Director Eichelberger to approve the above permit application in accordance with the recommendations of the General Manager. Motion passed.

President Tramm adjourned the Public Hearing on Permit Applications at 10:11 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF AUGUST, 2011.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 12, 2011

MINUTES OF HEARING ON CERTIFICATION OF GROUNDWATER REDUCTION PLAN (GRP) OR JOINT GROUNDWATER REDUCTION PLAN (JOINT GRP)

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 300, Conroe, Texas, within the boundaries of the District on July 12, 2011.

Pursuant to §36.408 of the Texas Water Code and Rule 12.12 of the Lone Star Groundwater Conservation District’s (the “District’s”) Rules, these minutes serve as the official minutes of hearing on Certification of Groundwater Reduction Plan (GRP) or Joint Groundwater Reduction Plan (Joint GRP) identified in the Notice of Hearing issued by the District’s General Manager and admitted into the record in this hearing.

President Tramm called to order the Hearing on Certification of Groundwater Reduction Plan (GRP) or Joint Groundwater Reduction Plan (Joint GRP) at 10:12 a.m., announcing that it was now open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Bleyl and Director Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, Attorney; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

President Tramm stated that he would be appointing Jason Hill, General Counsel, as co-presiding officer.

Jason Hill, District Counsel, gave the Review of Notice observing that the following notice requirements had been met:

- (1) the General Manager timely published the appropriate notice in the newspaper;
- (2) the General Manager provided notice of the proposed permits and hearing to each permit applicant, and posted it at the District Office and at the County Courthouse;
- (3) the General Manager posted notice more than 72 hours prior to the hearing, in compliance with the Texas Open Meetings Act; and
- (4) no one had requested special notice under District Rule 12.3(d), so no notice was required to be issued under Rule 12.3(d).

Mr. Hill continued with the Review of Hearing Procedures to the Board. He explained that he would read the summaries of each GRP and Joint GRP and then allow the Board to vote on them as one item unless circumstances, such as the challenging or protesting of a recommendation, prevented that. Mr. Hill stated that should any circumstances arise then he would address the GRP on an individual basis, additionally any questions from the Board would be answered by Mark Lowry or himself.

HEARING REPORT ON THE GROUNDWATER REDUCTION PLAN (GRP) OR JOINT GROUNDWATER REDUCTION PLAN (JOINT GRP) SUBMITTED TO LSGCD.

A hearing report was given on each of the following GRP's or Joint GRP's submitted to the District:

1. GRP sponsored by SR Superior, LLC;
2. GRP sponsored by Stanley Lake MUD; and
3. Joint GRP sponsored by Montgomery County UD #3.

Based on District staff's technical review, the GRP's and Joint GRP's listed above meet the minimum requirements of Phase II (B) of the Districts Regulatory Plan and it is the General Manager's recommendation for certification.

Mr. Lowry explained to the Board that District staff is planning on closely monitoring each sponsor to ensure they are following the submitted timelines for the GRP. If sponsors are not meeting their GRP requirements they will need to amend it or show how they plan on making the process work. There is currently not a specific rule that requires the sponsors to submit information on the status of their GRP. Mr. Hill stated he envisions a simple progress report that sponsors will submit to District staff, and added that the Rules & Bylaws committee will be looking into addressing the issue.

Director Baker asked about water quality results from Catahoula drilling. Mr. Lowry explained to the Board that the water quality is locationally dependent and the results have

shown 105 degree temperatures and aluminum fluoride issues in some areas, though generally speaking the quality is reasonable.

The Board heard public comments from Bruce Douglas of Stanley Lake MUD. Mr. Douglas stated that he receives a report each month from his engineers on the drilling of their production well and he would be glad to submit it to the District.

A motion was made by Director Stinson, seconded by Director McCoy and unanimously carried, to approve the certification of the uncontested Groundwater Reduction Plans (GRPs) and Joint Groundwater Reduction Plans (Joint GRPs) heard, in accordance with the General Manager's recommendations. *A copy of Resolutions #11-0020, #11-0021, and #11-0022 are attached hereto as Exhibit "B".*

President Tramm stated that there was no need to schedule the continuance of contested hearings at this time and adjourned the Public Hearing on Certification of GRP's and Joint GRP's at 10:28 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF AUGUST, 2011.

M. Scott Weisinger, PG, Board Secretary

LONE STAR GROUNDWATER CONSERVATION DISTRICT

July 12, 2011

MINUTES OF REGULAR MEETING

The Board of Directors of the Lone Star Groundwater Conservation District (“District”) met in regular session, open to the public, in the Lone Star GCD – Board Room located at 207 W. Phillips Street, Suite 301, Conroe, Texas, within the boundaries of the District on July 12, 2011.

President Tramm called to order the regular Board of Directors meeting at 10:29 a.m. announcing that it was open to the public.

The roll was called of the members of the Board of Directors, to wit:

Sam W. Baker
John D. Bleyl, PE
Reed Eichelberger, PE
Roy McCoy, Jr.
Rick J. Moffatt
Jim Stinson, PE
Richard J. Tramm
M. Scott Weisinger, PG
W. B. Wood

All members of the Board were present with the exception of Director Bleyl and Director Weisinger, thus constituting a quorum of the Board of Directors. Also, in attendance at said meeting were Kathy Turner Jones, District General Manager; Jason Hill, Attorney; Mark Lowry, District Consultant; District staff; and members of the public. *Copies of the public sign-in sheets are attached hereto as Exhibit “A”.*

APPROVAL OF THE MINUTES:

President Tramm stated the Board would consider all three meeting minutes listed as one item. Upon review of the following, a motion was made by Director Wood, seconded by Director Eichelberger and unanimously carried, to approve the meeting minutes as presented:

- a) June 14, 2011, Special Board Meeting
- b) June 14, 2011, Public Hearing on Permit Applications
- c) June 14, 2011, Hearing on Certification of GRP’s or Joint GRP’s
- d) June 14, 2011, Show Cause Hearing
- e) June 14, 2011, Regular Board of Directors Meeting

COMMITTEE REPORTS:

Water Awareness and Conservation Committee – Billy Wood, Chair. Director Wood reported that the committee had not met since the last Board meeting. Paul Nelson, Assistant General Manager, gave a brief update on the status of the District's conservation efforts. Mr. Nelson stated that the Water on Request program is on-going and has reached out to over 40 restaurants, unfortunately only four (4) have signed up. Ms. Jones encouraged the Board to reach out to the community and gain local leaders' support. Mr. Nelson stated he will be meeting with Cinema Advertising to discuss sponsoring 15-second conservation messages that will air before movies on 22 movie screens in the Woodlands. Lastly, Mr. Nelson will be looking into partnering with The Woodlands Children's Museum, as well as advertising in magazines and on billboards. Ms. Jones stated that the mobile lab trailer will become active again in the fall and spring, though the trailer is available upon request for special events.

Rules and Bylaws Committee – Kathy Turner Jones, Coordinator. Ms. Jones reported that the committee had not met since last month's meeting though a meeting will be scheduled soon to address recent concerns.

Policy and Personnel Development Committee – Sam W. Baker, Chair. Director Baker stated that the committee had not met since the last Board meeting and had no report at this time.

Findings and Review Committee. Ms. Jones reported that the committee had not had an official meeting since the last Board meeting.

Update and status project report related to Regional Groundwater Update Project with HGSD and the FBSD. Mark Lowry began by stating that a copy of the report was included in the packet from Freese & Nichols detailing the activities. Mr. Lowry gave a brief summary of the report, stating that Work Order #2 has been closed and the focus has shifted to Work Orders #3 and #4 which are dedicated to refining the subsidence model, specifically population, water demand, and distribution of that demand throughout the area.

Director McCoy asked Mr. Lowry if the work LBG-Guyton is conducting on the modeling of the Catahoula Formation is the same work LBG Guyton has been hired to do on the Regional Groundwater Update Project. Mr. Lowry clarified for the Board and the public that LBG-Guyton is doing two (2) different modeling studies, the Regional Groundwater Update model, a broader scope model, and the Catahoula Formation/Aquifer model. The Regional Groundwater Update model does not include studies of the Catahoula Formation.

Update and status project report related to the District's modeling study of the Catahoula Formation/Aquifer. Mr. Lowry gave the status report on behalf of John Seifert, LBG-Guyton, stating that they are continuing to evaluate geo-physical logs and working on the formation layers to develop the hydrostratigraphy for the modeling purposes. The planned work for July includes revising the contours of the 1,000 milligram per liter line based upon actual well results from the Catahoula and refining the 3,000 and 10,000 milligram per liter boundaries. These revisions will help to determine the areas with a reasonable expectation of finding fresh water and will give an idea of where you might find water with low amounts of total dissolved solids content. Mr. Lowry also emphasized that there has been no modeling work done and the work to

date has included pulling all of the available data to develop the modeling framework. Director Moffatt asked what changes they were seeing thus far in the milligram per liter lines. Mr. Lowry explained that they are seeing the east side of the line maintain, while the west side of the line is flattening out, showing that the lower total dissolved solids water is further south, towards Montgomery. Ms. Jones noted that this process includes public involvement. The panel is working on scheduling a public meeting for the week of August 22nd to brief the public and answer any questions they may have.

Building and Facilities Committee – Kathy Turner Jones. Ms. Jones stated the committee has not met since the last Board meeting. Ms. Jones briefed the Board on the status of the project stating that the plans have been submitted to the Texas Code Review for Texas Accessibility Standards and the City of Conroe. The District has received feedback and comments have been addressed. The project will be going out to bid through the county and we are anticipating a pre-bid meeting the week of July 25th. After the pre-bid meeting contractors will be given a set time and date to submit bids back to the county.

Budget and Finance Development Committee – Jim Stinson, Chair. Director Stinson reported that the committee met on July 11, 2011 to review the 2012 annual water use fee rates and the existing administrative fee schedule.

Review of Monthly Financial Reports. Director Stinson stated he had reviewed the monthly financial reports and if anyone had any questions he would be glad to address those. The District shows the operating budget has an income of \$36,000 under budget and expenses of \$277,000 under budget. The capital improvement program has a budgeted expense of \$1.2 million versus an actual expense of \$64,000, which has to do with the timing and process of the new building.

Review of 2nd Quarterly Investment Report for 2011. Director Stinson stated the report was included in the packet and he would answer any questions related to it.

Consideration and possible action approving Resolution #11-004 authorizing water use fee rate schedule for 2012. Director Stinson explained that with a \$0.06 per 1,000 gallon fee the District could expect revenue of approximately \$1.8 million. Existing operating budget expenses for the past two years have been around at \$2 million. Director Stinson reported that following the committees review of the 2012 annual water use fee rate, it is the committee's recommendation to maintain the current water use fee of \$0.06 per 1,000 gallons permitted and \$1.00 per acre-foot for agriculture purposes. Mr. Hill pointed out that due to a typographical error on the agenda he recommended that if the inclination is to approve this rate, the Board should approve it tentatively and ratify it next month thus addressing the typographical error and allowing for a final decision from the committee. Upon a motion by Director Baker, seconded by Director Stinson and unanimously carried, the Board tentatively approved the rate proposed by the committee subject to ratification next month.

Consideration and possible action approving Resolution #11-005 amending and re-establishing administrative fee schedule. Following the review of the existing administrative fee schedule, the committee is recommending modifications be made, and a copy of the revised schedule has been provided. Director Stinson gave a brief explanation of the changes which includes the following items:

12. The addition of “GRP and Joint GRP submission or amendment” to the publication fee item
14. Remove the date of effectiveness for Early Conversion Credit application fee
15. Remove the date of effectiveness for Alternative Water Source application fee and add “Test Bore Drilling”
16. The addition of “Alternative Water Source (AWS) Production Permit application fee = \$500”
17. The addition of “GRP and Joint GRP Amendment submission fee = \$1,000 for each submittal. EFFECTIVE 07/01/11.”

A motion was made by Director Stinson, seconded by Director Moffatt, and unanimously carried, to approve the recommended changes to the administrative fee schedule. *A copy of Resolution #11-005 is attached hereto as Exhibit “B”.*

Discussion and possible action regarding updating banking signature cards. A motion was made by Director Moffatt, seconded by Director Stinson, and unanimously approved to update the banking signature cards.

ENGINEERING REPORT:

Mark Lowry, District Consultant, stated his report was included in the packet and if there were any questions he would be happy to answer them. This month the bulk of his work was GRP related.

UPDATE STATUS REPORT ON INSTALLATION OF PORT-A-MEASURE (“PAM”) EQUIPMENT FOR SUBSIDENCE MONITORING – Paul R. Nelson.

Mr. Nelson stated the District is making progress on the installation of six (6) PAM units within Montgomery County. As of last week, SJRA had approved two (2) sites at their locations in The Woodlands. All of the planned sites have been reviewed and approved by Mark Kasmarek (USGS) and Kevin Ebrum (HGSD) and they are now working very carefully with the owners of the properties to gain their approval.

GENERAL COUNSEL REPORT:

Jason Hill updated the Board on pertinent legal issues and developments impacting the District since the last regular Board Meeting. Mr. Hill stated that the driving force that has consumed his time has been GRP related. Since the last Board meeting, the special session of the Texas Legislature has ended, with no major changes to groundwater related issues.

GENERAL MANAGER’S REPORT:

Kathy Turner Jones, General Manager, stated that her report was included in the packets and if anyone had any questions, she would be glad to address them. Ms. Jones briefed the Board on the GRP process, stating that the District received 31 GRPs, and has approved 22 since

the June meeting. There are nine (9) outstanding GRPs to be certified, three (3) of which are currently planned for the August Board meeting. The goal is to have all of the GRPs certified by the end of the September meeting. She also added that there is a Region H meeting to be held on August 3rd at 10am at the SJRA offices.

PUBLIC COMMENT: None.

NEW BUSINESS: None.

There being no further business, upon a motion by Director Baker, seconded by Director Eichelberger, President Tramm adjourned the meeting at 11:17 a.m.

PASSED, APPROVED, AND ADOPTED THIS 9th DAY OF AUGUST, 2011.

M. Scott Weisinger, PG, Board Secretary